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TAGS: [ECON](#) [FAIR](#) [PREL](#) [CH](#) [TW](#)

SUBJECT: CROSS-STRAIT CHARTER FLIGHTS AND TOURISM -

PROGRESS UNLIKELY BEFORE DECEMBER ELECTIONS

REF: A. TAIPEI 3854
 1B. TAIPEI 3661
 1C. TAIPEI 3100
 1D. TAIPEI 2881
 1E. TAIPEI 2732
 1F. TAIPEI 2654

Classified By: AIT Director Douglas H. Paal, Reason 1.4 d

Summary

11. (C) Taipei Airlines Association Chairman Tony Fan told AIT/T that he has met at least twice with PRC aviation counterparts in Macau and has contact with them regularly by phone, e-mail and fax. However, the two sides remain divided on several issues. The PRC has been reluctant to give Taiwan the cargo charter flights it wants to Shanghai. Taiwan does not want to implement regular weekend passenger charters until PRC tourism to Taiwan has been liberalized. Taiwan Association of Travel Agents Assistant Chairman Yao Ta-kuang confirmed that a 60-member delegation from China's National Tourism Association will come to Taiwan October 28 for a ten-day visit. He emphasized that the two sides will not hold formal negotiations during the visit but predicted they would discuss some technical issues. Both Fan and Yao reported recent developments that suggest Chen Shui-bian's support for these initiatives. However, a breakthrough is unlikely before the December 3 local elections in Taiwan.
End summary.

Charter Flights - Channels Open but Obstacles Remain

12. (C) AIT/T econoff met October 14, 2005 with Tony C.C. Fan, chairman of the Taipei Airlines Association, which the Taiwan government named to coordinate consultations with the PRC on cross-Strait charter flights. Fan is also chairman of TransAsia Airways, one of Taiwan's four smaller airlines, and Askey Computer Corp., a manufacturer of modems and local area network equipment. Fan began the discussion by pointing out that an October 12 article in Taiwan's Commercial Times that had cited him and Mainland Affairs Council (MAC) Chairman Joseph Wu as sources was actually the result of a conversation that Wu had with the newspaper's editor. Fan emphasized that he was under a strict non-disclosure agreement with MAC. Nevertheless, he went on to confirm most of the content of the article.

13. (C) Fan reported that he has already had "two or three" informal meetings in Macau with his PRC counterparts to discuss charter flights. They are also in regular contact by e-mail, fax and telephone. He described their interaction as very smooth. However, he believes that the PRC has been less willing to compromise than Taiwan.

14. (C) One example Fan cited to show Taiwan's willingness to compromise was a decision by Taiwan not to push the PRC to agree to flight paths that would pass through Japan's or South Korea's airspace. Taiwan had proposed using such routes on flights to Shanghai and Beijing. 2005 Lunar New Year charter flights all passed through Hong Kong air space, lengthening substantially the flying time to Beijing and Shanghai. Taiwan insists that cross-Strait charter flights pass through the air space of a third jurisdiction. However, according to Fan, the PRC rejected Taiwan's suggestion of using Japan's or South Korea's airspace. The PRC presumably wishes to avoid any perception that the charter flights are international flights. Fan said that the PRC in turn proposed that the charter flights pass directly from Taiwan to PRC airspace on routes to Shanghai and Beijing. Fan observed that Taiwan's Ministry of National Defense would not agree to such a proposal.

15. (C) Fan noted several obstacles that need to be resolved before charter flights can take place. First, the PRC has indicated that it will not be able to approve cargo charter flights to Shanghai. Fan said that cargo flights to Shanghai are one of Taiwan's highest priorities because of the city's large volume of cross-Strait and trans-Pacific air cargo in the electronics industry that Taiwan airlines

want to take advantage of using their large cargo capacities. Fan reported that the PRC had offered cargo charter flights to Nanjing instead, which he believes would be an inadequate substitute. According to Fan, the PRC claimed that Shanghai's Pudong Airport is too busy to accommodate cargo charter flights. Fan questioned the PRC's sincerity noting that cargo charters could operate at non-peak hours or even at night and would not require gates at the terminal.

16. (C) On the passenger side, Fan claimed that Taiwan wishes to first implement Lunar New Year charter flights, then proceed with charter flights on other holidays such as the Dragon Boat Festival and Mid-Autumn Festival, and finally implement regular weekend charters. The PRC, on the other hand, wants to move immediately to regular weekend charters. According to Fan, Taiwan is willing to move directly to weekend charters if charter flight implementation takes place along with the proposed opening of Taiwan to PRC tourists. Fan argued that unless PRC tourists are able to visit Taiwan in sufficient numbers and use the charter flights, there will not be enough demand for the flights. Without PRC tourists, PRC-bound planes will be empty at the start of each weekend, and Taiwan-bound flights will be empty at the end. Fan believes the PRC is less willing to move quickly on the tourism initiative than Taiwan.

17. (C) On a similar note, Fan reported that the PRC wants to expand the categories of passengers qualified to use the charter flights more broadly than does Taiwan. According to Fan, Taiwan wants to limit the flights to Taiwan passport holders; China wants "qualified" Mainland Chinese to be able to use the flights as well. However, which PRC travelers would qualify has not yet been clearly defined. (Lunar New Year charter flights in 2003 and 2005 were limited to Taiwan investors in the PRC.) Fan said that Taiwan is willing to extend the charter flight service to include Mainland passengers, but only if tourism is also liberalized. Comment: Taiwan's apparent effort to link tourism liberalization to passenger charter flights could delay progress on these flights given that tourism discussions are not as far advanced. End comment.

Prospects - Not Before Next Year

18. (C) Fan concurred with the Commercial Times article headline that charter flights would not occur before the start of next year. He also indicated that he was not confident that the flights could be implemented by Lunar New Year (January 28). Fan believes that while Taiwan is serious and willing to make compromises, the PRC may not be. He did not dispute recent speculation that the PRC would not make any moves that might give Chen Shui-bian's Democratic Progressive Party a boost before December 3 local elections in Taiwan.

19. (C) Fan noted two key time periods that were approaching. First, Fan said that the next three weeks would be particularly important. Because his last meeting with PRC counterparts had been contentious, Fan said they had agreed to slow down discussions until late October-early November. Fan suggested that progress could resume soon. Separately, Fan pointed out that he will be visiting the PRC the week of October 16 to work on arrangements for a stock swap between his other firm Askey and Asustek Computer Inc. Despite the possibility of renewed discussion, he warned us not to believe any news reports that he would be in the PRC to discuss cross-Strait charters.

10. (C) The other important time period Fan mentioned was the days following the December 3 election. Fan observed that Taiwan airlines had told the government that they would need about 45 days to prepare for charter flights, and were not willing to implement them in a matter of weeks as in 2005. Fan suggested that if the two sides were not able to make rapid progress in mid-December, there would not be sufficient time to implement charter flights before the Lunar New Year. (Note: Taiwan airlines made the same sort of comments last year when considering the window for negotiations between the December 11, 2004, Legislative Yuan elections and the 2005 Lunar New Year on February 9. Nevertheless, charter flights were implemented after a January 15 agreement. End note.) More broadly, Fan said that if the PRC did not show more flexibility in the days after the election, it would imply much worse prospects for charter flights in general. Furthermore, if the DPP has a poor showing in the December 3 election, Fan speculated that it might want to slow down charter flight discussions in order to preserve support among its pro-independence base.

Tourism - PRC Officials to Visit Taiwan

¶11. (C) AIT/T econoff met October 13, 2005, with Yao Ta-kuang, assistant chairman of the Travel Agent Association of Taiwan (TAAT), which the Taiwan government has named to coordinate cross-Straight tourism discussions. Yao confirmed media reports that TAAT's counterpart in the PRC, China's National Tourism Administration (CNTA), would send a delegation to visit Taiwan October 28. CNTA Director General Shao Qiwei will lead the 60-member delegation on a ten-day visit.

¶12. (C) Yao said that the visit should have a positive effect on efforts to open Taiwan to tourism from the PRC, but emphasized that no formal consultations would take place during the visit. He explained that the CNTA group was coming so that members could familiarize themselves with Taiwan's tourism facilities. However, he later noted that TAAT would discuss some technical issues during the visit, including tourist documentation, travel agent dispute settlement, travel safety and emergency management.

¶13. (C) Noting that Chen Shui-bian had announced the visit earlier than expected, Yao said that the timing of the announcement had not yet affected the group's plans. He said that the itinerary for the familiarization tour had not yet been set. He commented that it would be difficult for CNTA to reschedule such a large delegation, especially with a national tourism forum scheduled for November in the PRC. If for some reason the trip is postponed, Yao predicted it would not be rescheduled until next year.

Prospects - Still Not Ready for Negotiations

¶14. (C) Yao added that he thought that Chen's decision to announce the trip indicated solid support for the tourism initiative. Yao believes that Chen's attitude will be the deciding factor in how quickly PRC tourism in Taiwan can be liberalized. He believes that Taiwan's election will also be an important factor and could delay significant progress until next year.

Comment - Chen Supportive but Breakthrough Unlikely

¶15. (C) Both Fan and Yao described recent developments that suggest the Chen administration is serious about engaging the PRC on cross-Straight charter flights and tourism liberalization. Although Fan's comparison of each side's willingness to compromise seemed slanted, he did appear convinced of Chen's support. However, both negotiators expressed doubts that there would be quick progress, citing the impact of Taiwan's election cycle. The coming weeks may hold some opportunities for progress, but a breakthrough on either initiative seems increasingly unlikely before the December 3 election. End comment.

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